

**HARVEST MANITOBA INC.**

**Financial Statements**  
**For the year ended March 31, 2020**

# **HARVEST MANITOBA INC.**

## **Financial Statements**

**For the year ended March 31, 2020**

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## Independent Auditor's Report

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To the Board of Directors of Harvest Manitoba Inc.

### Qualified Opinion

We have audited the financial statements of Harvest Manitoba Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2020, and the statement of operations, the statement of changes in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from cash donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising events revenue, deficiency of revenue over expenses, and cash flows from operations for the year ended March 31, 2020, current assets as at March 31, 2020, and net assets as at April 1, 2019 and March 31, 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Emphasis of Matter

As stated in Note 3, on June 19, 2019, Winnipeg Harvest Inc. and Manitoba Association of Food Banks Inc. merged to form Harvest Manitoba Inc. The comparative figures have been updated to reflect the combined results of the two organizations. We were not engaged to report on these comparative figures and as such they are neither audited nor reviewed.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Organization's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants

Winnipeg, Manitoba  
September 24, 2020

## HARVEST MANITOBA INC. Statement of Financial Position

As at March 31 2020                      2019

(Combined - Note 3)

### Assets

#### Current assets

Cash and bank	\$	667,606	\$	231,536
Restricted cash and bank		888,321		730,621
Accounts receivable		76,826		97,847
Prepaid expenses and deposits		179,979		202,888
		1,812,732		1,262,892

Investments (Note 4)		25,145		24,840
Restricted cash and bank (Note 9)		500,000		700,000
Capital assets (Note 5)		5,285,658		5,506,054
		\$ 7,623,535		\$ 7,493,786

### Liabilities and Net Assets

#### Current Liabilities



Accounts payable and accrued liabilities	\$	240,236	\$	136,102
Deferred revenue (Note 6)		888,321		730,621
		1,128,557		866,723

Deferred contributions related to capital assets (Note 7)		4,197,303		4,310,792
		5,325,860		5,177,515

#### Net Assets

Unrestricted		492,486		421,009
Internally restricted (Note 9)		700,000		700,000
Invested in capital assets		1,105,189		1,195,262
		2,297,675		2,316,271
		\$ 7,623,535		\$ 7,493,786

Approved on behalf of the Board of Directors:

## HARVEST MANITOBA INC. Statement of Operations

For the year ended March 31	2020	2019
	(Combined - Note 3)	
<b>Revenue</b>		
Contributions related to capital assets (Note 7)	\$ 299,076	\$ 294,590
Donations		
Unrestricted	2,685,663	1,773,308
In-kind	387,201	703,368
Restricted for Breakfast2Go (Note 6)	93,500	24,353
Restricted for First Steps (Note 6)	105,207	104,194
Fundraising events	693,149	937,183
Grants	167,174	221,521
Investment income	21,130	15,901
	<b>4,452,100</b>	<b>4,074,418</b>
<b>Expenses</b>		
Board	16,572	2,434
Breakfast2Go	93,500	24,353
Community engagement	16,583	13,685
First Steps	105,207	104,194
Food distribution	1,479,904	1,649,616
Fundraising events	237,571	192,622
Salaries and benefits	2,065,016	1,836,679
Support services	389,370	405,932
Volunteer services	66,973	100,002
	<b>4,470,696</b>	<b>4,329,517</b>
<b>Deficiency of revenue over expenses for the year</b>	<b>\$ (18,596)</b>	<b>\$ (255,099)</b>

**HARVEST MANITOBA INC.**  
**Statement of Changes in Net Assets**

**For the year ended March 31, 2020**

	<b>Unrestricted</b>	<b>Internally Restricted (Note 9)</b>	<b>Invested in Capital Assets</b>	<b>2020 Total</b>	<b>2019 Total</b>
<b>Net assets</b> , beginning of year (combined - Note 3)	\$ 421,009	\$ 700,000	\$ 1,195,262	\$ 2,316,271	\$ 2,571,370
<b>Excess (deficiency) of revenue over expenses for the year</b>	50,677	-	(69,273)	(18,596)	(255,099)
<b>Interfund Transfers</b>					
Acquisition of capital assets	20,000	-	(20,000)	-	-
Proceeds on disposal of capital assets	800	-	(800)	-	-
<b>Net assets</b> , end of year	\$ 492,486	\$ 700,000	\$ 1,105,189	\$ 2,297,675	\$ 2,316,271

## HARVEST MANITOBA INC. Statement of Cash Flows

For the year ended March 31	2020	2019
	(Combined - Note 3)	
<b>Cash Flows from Operating Activities</b>		
Deficiency of revenue over expenses for the year	\$ (18,596)	\$ (255,099)
Adjustments for items not affecting cash		
Amortization of capital assets	369,149	388,194
Deferred contributions related to capital assets	(299,076)	(294,590)
Gain on disposal of capital assets	(800)	-
Gain on disposal of investments	-	(2,897)
Compounded interest on investments	(305)	-
	50,372	(164,392)
Changes in non-cash operating working capital balances		
Accounts receivable	21,021	(87,565)
Prepaid expenses and deposits	22,909	(155,218)
Accounts payable and accrued liabilities	104,134	65,092
Deferred revenue	157,700	148,196
	356,136	(193,887)
<b>Cash Flows from Investing Activities</b>		
Acquisition of capital assets	(148,753)	(156,139)
Proceeds from disposal of capital assets	800	-
Proceeds on redemption of investments	-	84,856
	(147,953)	(71,283)
<b>Cash Flows from Financing Activities</b>		
Contributions related to capital assets acquisition	185,587	120,000
Change in restricted cash and bank	42,300	(148,196)
	227,887	(28,196)
<b>Net increase (decrease) in cash and bank during the year</b>	<b>436,070</b>	<b>(293,366)</b>
<b>Cash and bank, beginning of year</b>	<b>231,536</b>	<b>524,902</b>
<b>Cash and bank, end of year</b>	<b>\$ 667,606</b>	<b>\$ 231,536</b>



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# HARVEST MANITOBA INC.

## Notes to Financial Statements

**For the year ended March 31, 2020**

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### 1. Nature of Operations

Harvest Manitoba Inc. (the "Organization") has as its vision working together towards a healthier future for all where no Manitoban goes hungry. The Organization has as its mission to reduce food insecurity by collecting and distributing food, providing client-centred long term solutions, and advocating and informing.

During the year, Winnipeg Harvest Inc. and Manitoba Association of Food Banks Inc. merged continuing operations as Harvest Manitoba Inc. (Note 3).

The Organization is incorporated under The Corporations Act in Manitoba as a not-for-profit organization and is a registered charity under the Income Tax Act.

### 2. Summary of Significant Accounting Policies

#### a. Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### b. Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions including grants and donations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions for the acquisition of capital assets having limited lives are recorded as deferred contributions in the period in which they are received or receivable. Deferred contributions related to capital assets are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Donations-in-kind are recognized as revenue when received or receivable and measured based on the estimated fair value of similar items. Donated food is not recognized as revenue in these financial statements.

Fundraising events revenue are recognized as revenue when the event is held.

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# HARVEST MANITOBA INC.

## Notes to Financial Statements

For the year ended March 31, 2020

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### 2. Summary of Significant Accounting Policies (continued)

#### c. Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided over their estimated useful lives using the straight-line method as follows:

Building	25 years
Equipment	3 to 5 years
Paved surfaces	5 years
Vehicles	5 years

#### d. Contributed Materials

Volunteers contributed approximately 192,000 hours in the year (130,000 hours in 2019) to assist the Organization in carrying out its service delivery activities. Volunteer hours are not recognized in the financial statements.

Not included in donations-in-kind revenue are approximately 10,900,000 pounds of donated food (10,475,000 pounds in 2019) that is used in the Organization's service delivery activities. Donated food is not recognized in the financial statements.

#### e. Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets in actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs are the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

#### f. Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates applied in the preparation of these financial statements include the useful lives of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

# HARVEST MANITOBA INC.

## Notes to Financial Statements

**For the year ended March 31, 2020**

### 3. Merger of Winnipeg Harvest Inc. and Manitoba Food Banks Association Inc.

On June 19, 2019, the members of Winnipeg Harvest Inc. and Manitoba Association of Food Banks Inc. each voted in favor of merging their operations as at the vote date in order to support a province-wide network of food banks. The newly-formed entity is carrying on its operations under the name Harvest Manitoba Inc.

The merger has been accounted for following the pooling of interests method. As at the merger date, the carrying values of the assets, liabilities and net assets of the entities subject to the combination became the combined values of the assets, liabilities and net assets of the reporting entity. Comparative amounts presented in these financial statements show the combined results of the prior period as though the entities had always been combined.

The principal components of the comparative period's statement of financial position and statements of operations for each entity party to the merger are as follows for the year ended March 31, 2019:

	<u>Winnipeg Harvest Inc.</u>	<u>Manitoba Association of Food Banks Inc.</u>	<u>Total</u>
<u>Statement of Financial Position</u>			
Assets	\$ 7,407,198	\$ 86,588	\$ 7,493,786
Liabilities	\$ 5,159,953	\$ 17,562	\$ 5,177,515
Net assets	2,247,245	69,026	2,316,271
	<u>\$ 7,407,198</u>	<u>\$ 86,588</u>	<u>\$ 7,493,786</u>
<u>Statement of Operations</u>			
Revenue	\$ 4,040,470	\$ 33,948	\$ 4,074,418
Expenses	4,283,833	45,684	4,329,517
Deficiency of revenue over expenses for the year	\$ (243,363)	\$ (11,736)	\$ (255,099)

### 4. Investments

Investments consist of non-redeemable Guarantee Investment Certificates with interest at 1.25% maturing in June 2022 and July 2022.

## HARVEST MANITOBA INC. Notes to Financial Statements

**For the year ended March 31, 2020**

### 5. Capital Assets

	2020			2019		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 643,905	\$ -	\$ 643,905	\$ 643,905	\$ -	\$ 643,905
Building	7,031,343	2,647,843	4,383,500	6,957,453	2,364,817	4,592,636
Vehicles	864,345	647,988	216,357	859,312	641,906	217,406
Computer equipment	210,493	206,705	3,788	210,493	205,190	5,303
Kitchen equipment	154,055	154,055	-	154,055	154,055	-
Office equipment	94,708	92,182	2,526	94,708	89,657	5,051
Paved surfaces	273,230	243,055	30,175	273,230	239,736	33,494
Warehouse equipment	372,657	367,250	5,407	372,657	364,398	8,259
Equipment under capital lease	57,000	57,000	-	57,000	57,000	-
	<b>\$ 9,701,736</b>	<b>\$ 4,416,078</b>	<b>\$ 5,285,658</b>	<b>\$ 9,622,813</b>	<b>\$ 4,116,759</b>	<b>\$ 5,506,054</b>

During the year, the Board of Directors approved renovations to the warehouse of \$265,000 to be funded by contributions and unrestricted net assets. As at March 31, 2020, warehouse renovations are in progress with \$73,890 incurred and included in building costs (\$Nil in 2019).

Amortization expense of \$369,149 (\$388,194 in 2019) has been recorded which is included in food distribution expenses and support services expenses in the amount of \$365,108 (\$382,495 in 2019) and \$4,041 (\$5,699 in 2019), respectively.

### 6. Deferred Revenue

	2020	2019
<u>Breakfast2Go</u>		
Balance, beginning of year	\$ 31,662	\$ -
Add: Contributions received during the year	304,353	56,015
Less: Recognized as revenue during the year	(93,500)	(24,353)
Balance, end of year	<b>\$ 242,515</b>	<b>\$ 31,662</b>
<u>First Steps</u>		
Balance, beginning of year	540,646	572,425
Add: Contributions received during the year	73,964	72,415
Less: Recognized as revenue during the year	(105,207)	(104,194)
Balance, end of year	<b>\$ 509,403</b>	<b>\$ 540,646</b>
<u>Other</u>		
Balance, beginning of year	\$ 158,313	\$ 10,000
Add: Contributions received during the year	222,291	300,837
Less: Recognized as revenue during the year	(244,201)	(152,524)
Balance, end of year	<b>\$ 136,403</b>	<b>\$ 158,313</b>
Total deferred revenue, end of year	<b>\$ 888,321</b>	<b>\$ 730,621</b>

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## HARVEST MANITOBA INC. Notes to Financial Statements

**For the year ended March 31, 2020**

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### 7. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represents contributions received to fund the acquisition and construction of capital assets by the Organization with changes during the year as follows:

	2020	2019
Balance, beginning of year	\$ 4,310,792	\$ 4,485,382
Add: Contributions received during the year	185,587	120,000
Less: Recognized as revenue during the year	(299,076)	(294,590)
Balance, end of year	\$ 4,197,303	\$ 4,310,792

The balance as at March 31 consists of the following:

	2020	2019
Deferred contributions related to capital assets	\$ 4,180,469	\$ 4,310,792
Unspent contributions for future capital assets acquisition	16,834	-
Balance, end of year	\$ 4,197,303	\$ 4,310,792

### 8. Lease Commitments

The Organization has an operating lease agreement for two vehicles expiring in May 2023 requiring annual lease payments of \$13,789.

### 9. Restricted Net Assets

In previous years, the Board of Directors has restricted \$700,000 to provide funds to allow the Organization to continue to meet the needs of its clients during extremely difficult financial conditions. During the year, the Board of Directors approved that \$200,000 be temporarily applied to operations.

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## HARVEST MANITOBA INC. Notes to Financial Statements

**For the year ended March 31, 2020**

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### **10. Financial Instruments Risk Management**

The Organization, through its financial assets and liabilities, is exposed to various risks in the normal course of operations. The Organization's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Organizations' activities. The following analysis provides a measurement of those risks.

#### Credit Risk

Credit risk is the risk that the Organization will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist primarily of cash and bank, restricted cash and bank, and accounts receivable. The Organization holds its cash and bank at a credit union with deposits fully guaranteed. The Organization is not exposed to significant credit risk relating to the accounts receivable as the amounts due are spread among a broad client base and payment in full is typically collected when it is due, and grants are paid pursuant to signed agreements.

#### Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they fall due. The Organization is exposed to liquidity risk on its accounts payable and accrued liabilities. The Organization manages its cash flow to maintain adequate levels of working capital to insure all its obligations can be met when they fall due.

### **11. Uncertainty Due to COVID-19 Pandemic**

The global pandemic has disrupted economic activities and supply chains. The Organization has adapted its programming to continue delivering services to its community of service. Although the business disruption resulting from the pandemic is expected to be temporary, given the dynamic nature of these circumstances the duration of the business disruption and its financial impacts cannot be reasonably estimated at this time. The Organization's ability to pay for its operating costs depends on its ability to continue to generate revenue, donations of food and cash flows.